Minimum Wage Review Committee Report

January 12, 2012

Honourable Marilyn More
Minister of Nova Scotia Labour and Advanced Education
5151 Terminal Road, 6th Floor
Halifax, Nova Scotia B3J 2T8

Dear Minister More:

We are the members of the Minimum Wage Review Committee. Representing employees: Rick Clarke, President of the Nova Scotia Federation of Labour and Tom Patterson, past Executive Director of the Nova Scotia Nurses' Union. Representing employers: Sandra Rodd, of Sun Life Financial and Steven MacPherson, General Manager of Jack Astor's Restaurant.

The function of the Committee is to conduct an annual review of the minimum wage and submit a report containing the Committee's recommendations. In our last report, of February 2011, we recommended that, after an increase from $9.65 per hour to $10.00 per hour in October 2011, government move to indexing the minimum wage to the Low Income Cut Off (LICO) effective April 1, 2012. We were pleased that you accepted our recommendations. This was for us the culmination of work begun in 2007/08, when we first proposed LICO as a benchmark for the minimum wage in Nova Scotia.

We have continued to meet, as required under the *Labour Standards Code*, to monitor economic and labour market indicators and to develop recommendations for the coming year. We have concluded that government should proceed with indexing minimum wage increases to the Low Income Cut Off (LICO) as planned. The attached report summarizes our findings.

The Committee wishes to acknowledge and thank the staff of the Department of Labour and Advanced Education for their support and facilitation of the work of the Committee. In particular, recognition should be given to Lynn Hartley, Scott Lynch, Holly Cameron and William Grant. In addition, the Committee wishes to acknowledge and thank Brian Watson from the Department of Economic and Rural Development and Tourism for his research and analysis of complex data that enabled the Committee to make informed decisions, and for developing most of the charts.

It has been a pleasure conducting this review for the Department of Labour and Advanced Education, and we look forward to your response.

Respectfully submitted by,

original signed by

Rick Clarke

Steven MacPherson

Tom Patterson

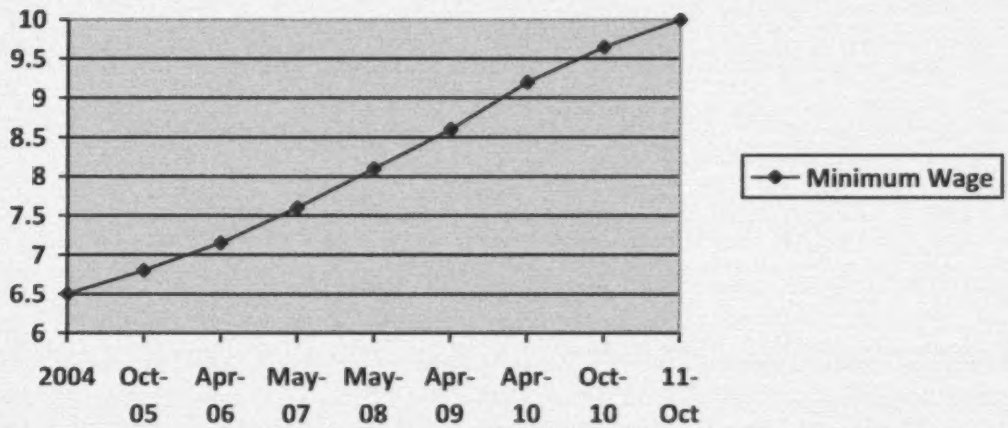
Sandra Rodd

1. Background

In Nova Scotia, workers have their rights protected by the province's *Labour Standards Code*. The Code provides direction to employers and employees on a wide range of topics, including the minimum wage. Some of the Code applies to non unionized workers only, but the minimum wage applies to all workers.

In 2003, the Code was amended to establish a Minimum Wage Review Committee. The Committee is composed of equal numbers of employer and employee representatives appointed by the Minister. The Committee is required to conduct an annual review of the minimum wage and prepare a Report to the Minister containing the recommendations of the Committee. Within thirty days after the Minister receives the Report it will be made public, and within 60 days of receiving the Report the Minister will publish a response.

The recommendations made by the Committee since its establishment in 2004, all of which were accepted by government, are outlined on the graph below. Since 2004 the minimum wage has increased from $6.50 to $10.00, an overall increase of over 50%.



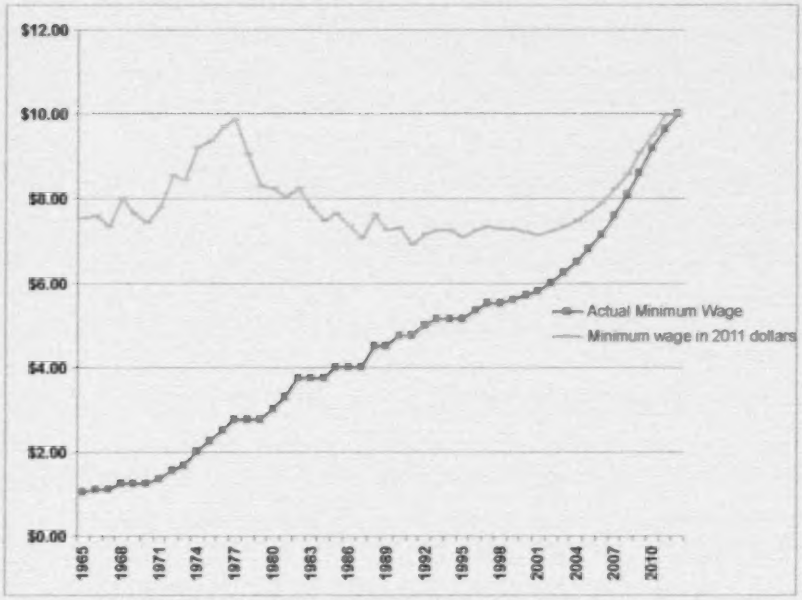
As of October 2011 the minimum wage is slightly above the 2011 LICO (Low Income Cutoff) line for a single person working full time in a community the size of Sydney. The rate for inexperienced workers has increased proportionately and remains 50 cents less than the regular minimum wage rate.

2. History of minimum wage in Nova Scotia

The Committee is gratified that government has supported its recommendations of quite significant increases in the minimum wage since 2005. We believe that these increases have moved the minimum wage to a reasonable level.

However, it is worth noting that in the broader historical context, the recent increases have essentially allowed the minimum wage to catch up to and slightly surpass the level it was at in the mid 1970s, after decades where the minimum wage fell in real terms, or remained stagnant.

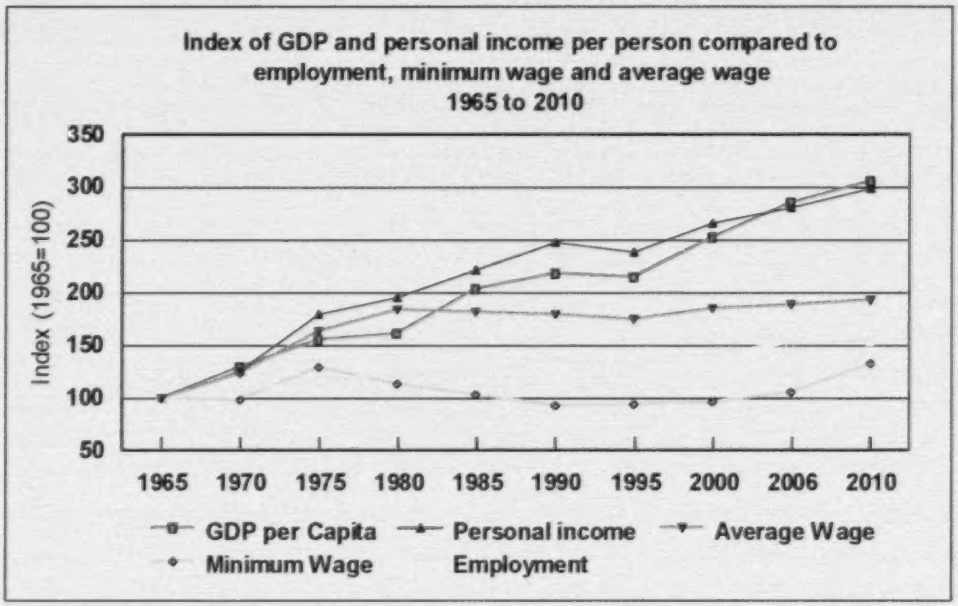
The chart below shows changes in Nova Scotia's minimum wage from1965 – 2011.



Source: Statistics Canada, Bank of Canada, Service Canada

As this chart shows, the minimum wage increased in constant dollar terms from 1965 to 1977. It declined significantly in the 1978 – 1988 period, and then remained relatively constant at about the $7.00 mark in today's dollars until 2003, when it began a consistent series of increases to the present level of $10.00 - the highest in real terms that it has been in the last 45 years.

While wages remained more or less constant for minimum wage workers for many years, the income of other Nova Scotians increased dramatically. The following chart tracks increases in constant dollars, compared with increases in wages, income and gross domestic product.



3. Principles to Consider

Minimum wage legislation forms part of the response to the problem of low pay, and was developed to protect the most vulnerable workers.

The major principles we consider when recommending minimum wages are:

- maintaining fairness for the lowest paid members of our workforce;
- recognizing minimum wage and cost of living trends;
- balancing the issues relative to economic competitiveness for business.

4. Profile of Minimum Wage earners

About 60% of minimum wage workers live with family or relatives. Most are under 25 years old. Most work part time. Relatively few are sole family earners. They are concentrated in the accommodation, food service and retail trade sectors. Very few are unionized. Many are in short term employment. Women are overrepresented among minimum wage earners.

In 2010, approximately 46,700 employees received wages near the minimum wage in Nova Scotia (below $10.00 per hour – minimum wage was $8.60 in January 2010, increasing to $9.20 in April and $9.65 in October). This represents about 12% of employees in Nova Scotia, which in 2010 included 391,600 full and part time workers.

As the following table indicates, the number of employees earning minimum wage has increased in Nova Scotia. The figure was 7.2% for 2009/10 and increased to 8% in 2010/11. This is consistent with the national trend, and results from the interaction of minimum wage increases and economic conditions.

Percentage of Employees Earning Minimum Wage by Province
Alberta Minimum Wage Profile – government of Alberta, April 2010

	April 2007 – March 2008	April 2008 – March 2009	April 2009 – March 2010	April 2010 -March 2011
Newfoundland and Labrador	6.4%	8.9%	6.4%	11.6%
Nova Scotia	**6.0%**	**6.6%**	**7.2%**	**8%**
Prince Edward Island	7.0%	5.8%	5.6%	6.8%
New Brunswick		5.3%	2.9%	7.3%
Quebec	5.5%	5.9%	6.3%	7%
Ontario	5.6%	7.2%	8.6%	11.8%
Manitoba		5.2%	4.1%	1.2%
Saskatchewan	3.4%	3.1%	4.3%	3.4%
Alberta	1.3%	1.4%	1.4%	1.2%
B.C.				2.2%

5. Minimum wage increases across the country

When recommending the minimum wage rate, the Committee considers minimum wage rates across the country.

Minimum Wages in Canada – updated November 10, 2011

	2008	2009	2010	2011	2012
NL	$8.00	$9.00	$10.00	**$10.00**	
NS	$8.10	$8.60	April 1 - $9.20 October 1 - $9.65	**$10.00**	
PEI	$8.00	$8.40	$9.00	**$9.60**	**April 1 - $10.00**
NB	$7.75	$8.25	$9.00	**$9.50**	**April 1 - $10.00**
Que	$8.50	$9.00	$9.50	**$9.65**	**May 1 - $9.90**
Nunavut	$10.00		$10.00	**$11.00**	
Ont	$8.75	$9.50	$10.25	**$10.25**	
Man	$8.50	$9.00	$9.50	**$10.00**	
Sask	$8.60	$9.25	$9.25	**$9.50**	

Alta	$8.40	$8.80	$8.80	**$9.40**	
BC	$8.00	$8.00	$8.00	**$9.50**	**May 1 – $10.25**
Nunavut	$10.00		$10.00	**$11.00**	
NWT	$8.25		$9.00	**$10.00**	
Yukon	$8.58	$8.89	$8.93	**$9.00**	
Average	$8.39	$8.84	$9.30	**$9.80**	

Nova Scotia is now above the national average for the minimum wage. Based on increases announced to date, the average minimum wage for 2012 will be $10.00. Further increases will likely be announced which will increase this average.

6. Consumer Price Index

The Consumer Price Index (CPI) is an indicator of changes in consumer prices. It is obtained by comparing the cost of a fixed basket of commodities .

CPI for Canada by Year	% Change
2001	2.5%
2002	2.2%
2003	2.8%
2004	1.8%
2005	2.2%
2006	2.0%
2007	2.2%
2008	2.3%
2009	0.3%
2010	**1.8%**

7. Low Income Cut Off Levels

The LICO is set by Statistics Canada. The LICO lines, are calculated in relation to the expenditure of an average family on the essentials of food, clothing and shelter. If a family spends 20 percentage points more of its total income on these essentials than the average family, then it falls beneath the LICO line. LICOs are calculated and reported for families of different sizes, living in communities of different sizes ranging from rural to large urban areas. LICO lines are set nationally and do not vary province by province.

Government has accepted our recommendation that the minimum wage be indexed to the Low Income Cut Off (LICO) for a single person working full time in a community of 30,000 to 99,999 people (ie a city the size of Sydney). At the end of 2010, this was $19,375.

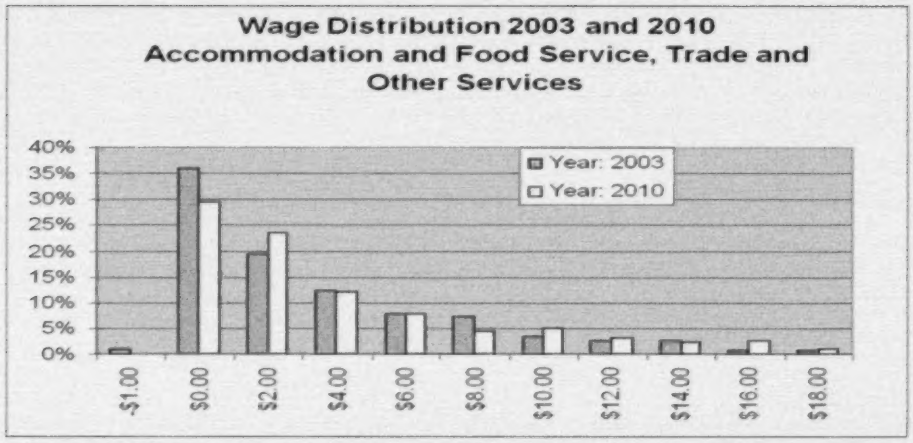
LICO lines increase annually based on the national CPI for the year.

Although LICO lines are not "poverty lines" per se, they are the most frequently used metrics when discussing the measurement of poverty and low income in Canada

The chart below tracks the market minimum wage against the actual minimum wage and LICO. It shows that, as planned, Nova Scotia was slightly above the 2011 LICO by October 2011.

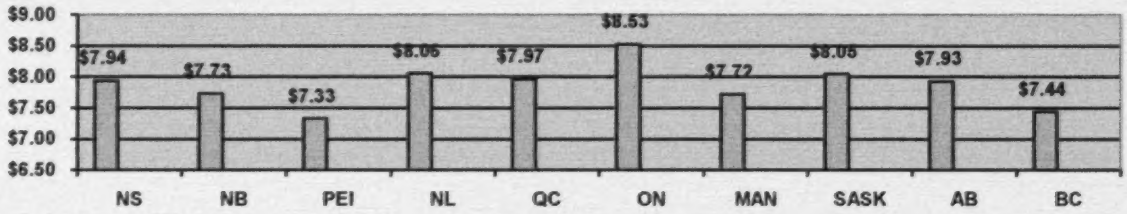
Labour market dynamics have kept the "market minimum wage" (the median entry level wage for young workers in minimum wage sectors, shown in blue in the chart above) above the minimum wage. The fact that the market minimum wage (currently approximately $10.00 per hour) consistently tracks slightly above the actual minimum wage suggests that the labour market has been able to absorb the increases over the past few years.

Despite significant increases in recent years, wages have not "bunched up" at close to minimum wage for young workers. As the following chart shows, proportionately fewer young workers in minimum wage occupations earned the minimum wage in 2010 than did in 2003.



8. Taxes and Minimum Wage

The 2011 Alberta Minimum Wage Profile analyzes minimum wages and provincial tax policies across Canada and develops an "after tax minimum wage" based on basic federal and provincial income and sales taxes for minimum wage earners. Based on March 2011 rates, the after tax minimum wage in Nova Scotia was the fifth highest at $7.94 per hour. The chart below shows the after tax rates for the provinces in March 2011.



9. The Current Economic Situation

Employment in Nova Scotia was relatively steady in 2008/09 and 2009/10, and well above the Canadian average. However, in 2011 Nova Scotia employment has not matched the growth in Canada as a whole.

The student unemployment rate in July 2011 was 19.8%, up from 16.9% in 2010, 19.3% in 2009 and 8.3% in 2008. Increases in the youth unemployment rate can be accounted for by increased unemployment for very young worker aged 15 to 19. For older non-students, jobs increased. As discussed in previous reports, the evidence does not suggest that the problems with youth employment are attributable to minimum wage increases.

Average weekly earnings for Nova Scotians, at $760.07, remain below the national average of **$853.19** and are among the lowest in Canada.

The average hourly wage in Nova Scotia was $20.27 in October 2011, unchanged from October 2010. The national average hourly wage was $23.06.

Gross Domestic Product - Nova Scotia's GDP is projected by the Department of Finance to increase by 1.4% in 2011 and 1.7% in 2012. Based on Statistics Canada and Bank of Canada projections, GDP growth is predicted to pick up through 2012.

Retail sales in Nova Scotia continue to be strong, above the Canadian average.

The food service sector continues to be relatively strong.

The economic outlook for Nova Scotia is positive but recovery from the downturn of 2008 is still slow. The labour market is recovering slowly. Retail, tourism and food service industries, which employ most minimum wage workers, have recovered fairly strongly. Regional disparities continue to exist and rural Nova Scotia continues to face particular challenges. The Irving shipbuilding contract will boost the Nova Scotian economy significantly, but this will not take full effect for several years.

Changing labour market dynamics will continue to exert upward pressure on wages as demographic and labour market changes continue. The economic downturn in Nova Scotia may have slightly delayed the full impact of these dynamics, but will not alter them fundamentally. The Committee notes that the government's "jobsHere" plan and associated strategies identify these dynamics as fundamental to economic planning for the province.

Nova Scotia Economic Outlook

	2010	2011	2012
Real GDP, 2002$ (% change)	2.1	1.4	1.7
Nominal GDP (% change)	4.9	4.1	3.5
Employment (% change)	0.2a	-0.3	1.1
Unemployment Rate (% change)	9.3a	9.2	8.6
Personal Income (% change)	2.9	2.6	2.9
Consumer Price Index (% change)	2.2a	3.9	1.8
Retail Sales (% change)	5.0a	3.4	3.1
Corporation Profits before Taxes (% change)	4.1	4.6	3.1
Export of Goods and Services (% change)	4.1	8.5	5.0

a – actual
Nova Scotia Department of Finance – Update, December 15, 2011

10. Conclusion

Nova Scotia has made significant strides in minimum wage. Increases have been aggressive over the past five years, and the minimum wage is slightly above the 2011 LICO. We continue to believe that LICO is an appropriate benchmark. Our review of the economic and labour market information summarized above supports that, after several years of aggressive increases, moving to relatively predictable increases based on LICO is appropriate.

The minimum wage orders approved in August 2011 contain the following formula:

"*Effective April 1, 2012, the minimum wages for employees are fixed at the hourly rates calculated as follows:*

(a) for an experienced employee, the hourly wage rate at which an experienced employee who is earning minimum wage for 2000 hours per year will earn income at the Low Income (Before Tax) Cut-Off, adjusted by the projected Consumer Price Index for 2011 and rounded to the nearest $0.05;

(b) for an inexperienced employee, $0.50 less than the hourly wage rate for an experienced employee calculated under clause (a)."

The minimum wage orders also state that in April 1, 2013 and each year subsequently, the minimum wage will be adjusted by the percentage change in the projected annual Consumer Price Index for the previous calendar year, and rounded to the nearest $0.05.

As we have recommended, the minimum wage orders use the LICO for a single person in a community of 30,000 to 99,999 people. Since LICO is a national number, national CPI is used to adjust it.

Applying this mechanism: the applicable 2010 LICO, the most recent published by Statistics Canada, was $19,375. Adjusting this for 2010 and 2011 CPI increases results in a minimum wage of $10.15 per hour effective April 1, 2012. This is an increase of 1.5% from the October 2011 rate. The inexperienced rate will be $0.50 less, at $9.65 per hour.

On several occasions the Committee has discussed the role of the inexperienced minimum wage rate. The Department of Labour and Advanced Education does not have good data on the impact of the inexperienced rate. Department staff's impression is that it is not widely used by employers. We recommend that in the coming year the department carry out research on the use of the inexperienced rate, and that in its 2012 deliberations the Committee consider this issue further.

11. Recommendations

1. **We recommend that the experienced minimum wage rate increase to $10.15 per hour and that the inexperienced rate increase to $9.65 per hour , to take effect April 1, 2012.**

2. **We recommend that the Department of Labour and Advanced Education carry out research on the use of the inexperienced rate for the Committee's consideration in 2012.**

3. **We recommend that the Committee continue to meet annually to carry out the re-indexing and to assess whether any changes or new recommendations, are indicated.**